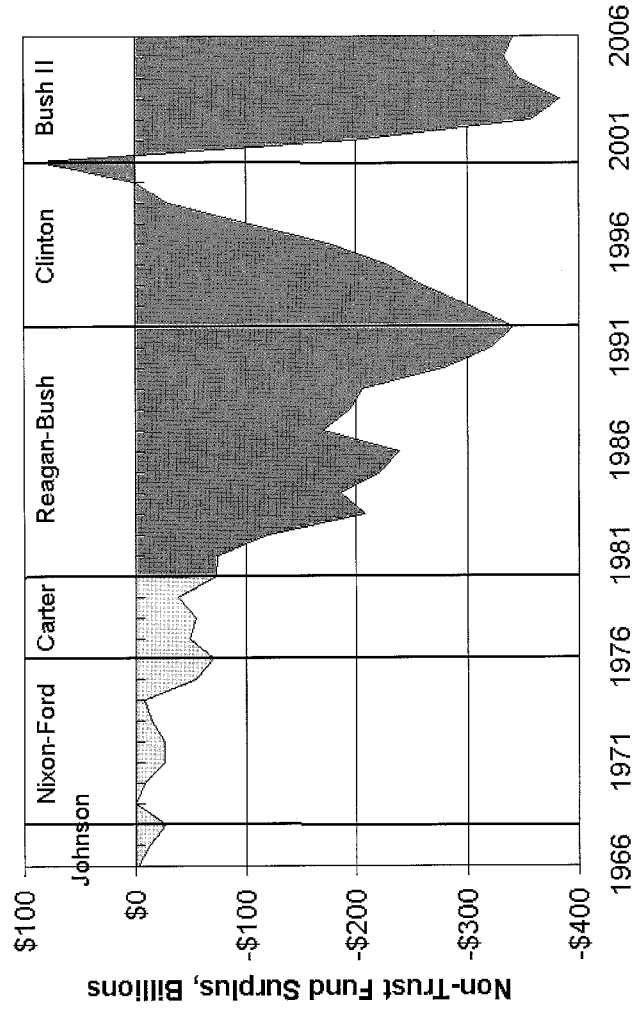


# 3 Republicans Raid Social Security and Medicare



Prepared by the Democratic Staff of the House Budget Committee

Source: CBO,OMB

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MINORITY VIEWS OF REPRESENTATIVES JOHN M. SPRATT, JR., JIM MORAN, DARLENE HOOLEY, TAMMY BALDWIN, DENNIS MOORE, JOHN LEWIS, RICHARD E. NEAL, ROSA L. DeLAURO, CHET EDWARDS, ROBERT C. "BOBBY" SCOTT, HAROLD E. FORD, JR., LOIS CAPPS, MIKE THOMPSON, BRIAN BAIRD, JIM COOPER, RAHM EMANUEL, ARTUR DAVIS, DENISE L. MAJETTE, AND RON KIND

[Chart 1] We begin this process in a fiscal hole, with deficits as far as the forecasts go, and a President's budget that offers no solutions; it only compounds our problems. Just consider the first table in CBO's analysis of the President's budget, released Friday March 7, 2003. [Chart 2] Add the top-line from 2002 across to the year 2013, and you will see, written on one line, the fiscal legacy of this Administration. Under its policies, the on-budget deficit from 2002 through 2013 adds up to \$5.158 trillion.

With deficits like these, we can understand why Republicans rejected the President's budget and wrote their own, but it is difficult to take this budget—with its enormous unspecified spending cuts—at face value. We think the Republican budget leads us down the same path, deeper and deeper into deficit and debt.

How did we get from a budget that was \$236 billion in surplus in the year 2000 to a budget that is in deficit by \$287 billion in 2003?

When the first President Bush left office, he left behind the largest deficit in the nation's history. President Clinton sent Congress a budget to cut that deficit by more than half over five years. It passed by one vote amid taunts that it would "cut the economy off at the knees" and "mushroom the deficit." The deficit did not "mushroom;" it shrank. The bottom-line of the budget got better every year. By 1998 it was balanced for the first time in thirty years. By 2000, the budget was in surplus by \$236 billion.

And so the second President Bush took office with an advantage few presidents have enjoyed: a budget in surplus, projected at \$5.6 trillion over 10 years, according to OMB. We warned that this projected surplus was based on a blue-sky forecast, and implored the Republicans not to be reckless with the first round of tax cuts.

Republicans enacted their tax cuts anyway, and they took a \$1.7 trillion bite out of the surplus. By July of 2001, despite the claimed benefit from enactment of the Republican tax cuts, the economy had taken another bite out of the surplus, so much so that when CBO sent us its Mid-Session Review in July 2001, the surplus, not including Social Security, was down to \$575 billion, and not including Medicare, it was down to about \$300 billion. The Administration blames today's deficits on the tragedy of September 11, but most of the on-budget surplus was already gone by the time the terrorists struck.

So, this is where we find ourselves as we consider the budget for Fiscal Year 2004. [Chart 3] OMB acknowledges that it overstated the surplus by at least \$3.2 trillion. Its latest forecast, adjusted for the economy, is \$2.463 trillion, but here's the rub: Congress has enacted policies committing all of that and more. In fact, there is no surplus; in place of the \$5.6 trillion surplus, there is a deficit of \$129 billion.

We could excuse the first tax cut as a failure to use due care. Republicans took a bet on a blue-sky forecast. But now, they are on notice. Every dollar of tax reduction that Republicans enact now will go straight to the bottom line and add to the deficit; and that's exactly what happens with the President's budget. But deficits don't deter this Administration. The President goes right on and proposes \$1.993 billion of new policy actions, \$1.6 trillion in new tax cuts, and racks up \$2.1 trillion in deficits between now and 2011. This is no longer a failure to use due care. This is willful, wanton, and intentional. This, in our opinion, is reckless.

Apparently, House Republicans agree, to an extent, because what they do in their budget resolution is repudiate the President's budget. They look down that road he would take us, toward \$5 trillion in additional deficits, and they opt for another route.

But the President has proposed \$1.6 trillion in new tax cuts, and Republicans don't reject them; they cling tenaciously to these new tax cuts. They subordinate everything in the budget to these additional tax cuts.

—They subordinate veterans; cutting their benefits by \$15.062 billion over the next ten years.

—They subordinate students; cutting guaranteed loans by as much as \$9.701 billion over the next ten years.

—They subordinate the elderly; cutting Medicare by as much as \$261.771 billion over the next ten years.

—They subordinate the poor; cutting Medicaid by as much as \$110.564 billion over the next ten years.

—They subordinate environment; taking \$2.475 billion from the Resources Committee.

They also cut discretionary spending. To make a little room for his tax cuts, the President has already cut non-defense, non homeland security discretionary budget authority by \$143 billion below current services over 10 years. House Republicans cut it by another \$126 billion. So much for education, and for Leave No Child Behind. It is funded in the President's budget at \$9 billion less than what was authorized for 2004. Since House Republicans double the cuts in discretionary spending, presumably it will be funded even lower.

Furthermore, the Republican budget does nothing to provide help for the fiscal crisis facing the states, and in fact makes it worse. Because of the linkages between the federal and state tax codes, the dividend tax proposal at the heart of the Republican "economic growth" plan would make worse the serious budget shortfalls that states are already facing. Across the country, states are facing the worst fiscal crisis in 50 years, which is forcing them to raise taxes and impose drastic spending cuts.

We don't agree with their budget policies, but we might grant that their spending cuts are politically bold—if we believed they would ever happen. But we don't think this budget is on the level.

Here is one telltale indication that it's not real. This budget calls for the tax cuts to be reported by April 11. It does not call for the reconciliation bills, with \$470 billion in spending reduction, to be reported until July 18, 2003, long after votes on the tax bill have come and gone.

Here's another suspicious indicator. If Republicans are serious about saving \$470 billion, they might provide us with examples of how you would do it. All we get is "waste, fraud, and abuse." When the "Contract with America" called for Medicare cuts of \$280 billion, Democrats asked how in the world that could be done without emasculating Medicare, and that's what Republicans told us, "waste, fraud, and abuse." Here they go again.

There is another reason this budget is not real. The largest category in this budget is defense; and the spending level for defense, as high as it is at \$400 billion, is a plug number. Once this resolution has passed, and the tax cuts have passed, the Pentagon will send Congress an enormous supplemental that will go straight to the deficit, because this budget makes no provision for how to pay for the war.

We can understand why Republicans did not want to go with the President's budget, down a road that leads to more than \$5 trillion in additional debt, but this budget leads in the same direction, because the massive spending cuts that Republicans propose will never be made. But the tax cuts may be, and after they are passed, and the defense supplemental has passed, the cost of war on the one hand and tax cuts on the other will drive the bottom line out of sight.

We know that Republicans think their 2001 tax cuts helped the struggling economy. But in the end, the only one of those tax cuts that worked was the rebate proposal, which Republicans co-opted from Democrats. The only thing that the U.S. economy has to show for the Republican 2001 tax cut is more debt. Instead of paying off the public debt by 2008, the debt will increase by \$1.5 trillion by 2008.

The failure of the \$1.7 trillion 2001 Republican tax cut unquestionably should give us pause before we add even more debt to the burden of the U.S. economy, just five years before the baby-boom generation begins to retire on Social Security, and just eight years before it begins to collect Medicare benefits.

The bad news isn't over. The Administration's, and even CBO's, receipts projections still have plenty of room to fall before they get back to the levels of the middle 1990s. We could lose hundreds of billions of dollars from our revenue collections, even before the effects of the new tax cuts in the Republican resolution. After those tax cuts, we could well have another deficit and debt explosion like the one we had in the 1980s.

The Republican resolution is a risk that we cannot afford. The signs are so obvious and so clear. We went through these policies in the 1980s, and the result was an explosion of deficits and debt. The hemorrhaging was stopped only by the Democratic reversal of policy in the 1990s. Now, immediately after Republicans gained

control of the White House along with the Congress and turned policy around again, the debt has begun to mount once more. And rather than being chastened, and trying to correct their error, Republicans want to push their debt policy still further. How can the Congress fail to see what is happening?

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ADDITIONAL VIEWS OF REPRESENTATIVE ROBERT C.  
"BOBBY" SCOTT

While I concur with the Minority's Views, there are a few points that need additional emphasis.

While September 11 has changed our fiscal reality, we also have to be honest about the fiscal state of emergency we find ourselves in. By July 2001, two months before the attacks, the unified surplus had already plummeted by \$2.5 trillion. We were well on our way to a deficit before the attacks.

Before this Administration and its policies, we were also on our way to paying off the national debt by 2011. We are now on our way to paying a skyrocketing "debt tax." The debt we are experiencing is not theoretical; the interest, the "debt tax," we have paid and will pay is quite real. In fact, the interest we are paying soon will be eclipsing the non-defense discretionary spending. From the Majority's own budget document, by 2013, we will be paying \$477 billion in interest on the debt while only spending \$468 billion on the entire non-defense discretionary budget. That \$477 billion in interest does not even begin to reduce the debt: it just is just interest on the debt.

Indeed, if we are going to reduce the debt, we will need much more than balanced budgets each year. We will need to return to surpluses. Unfortunately, this budget never projects an on-budget surplus during any year in the future.

In addition to the present deficit projections, the sad fact is that the effect of the tax cuts are going to be worse than they currently appear; because they are phased in, the tax cuts' true cost is hidden in the first years. We will not see how expensive they are until, their full effect is felt in the second 10 years. Furthermore, that cost will also kick in at the same time our fiscal reality is dramatically changed by the baby boomers' retirement.

This fiscal irresponsibility is compounded by the pattern of spending cuts contained in the budget; cuts such as reduction to school lunches, heating assistance to low-income families, health care for veterans, Medicare, and education, just to name a few.

If we are going to deal with the financial crisis we are finding ourselves in, we need to start making tough choices. We cannot have all that we want right now, including tax cuts. Tax cuts for the few and eroding safety nets for the many are not the answer.

BOBBY SCOTT.

